

MARKETS TODAY

Monday, April 15, 2019

MARKETS IN BRIEF

- The U.S. dollar edged lower against most major currencies following a Reuters report saying the U.S. has softened some of its demands for a trade deal with China.
- Safe-haven yen hit its lowest level this year with increased market risk appetite.
- Australian dollar was marginally lower before key data this week: RBA Policy Meeting Minutes to be released tomorrow at 4:30 LT, China GDP on Wednesday, and Jobs Report on Thursday.
- British pound steadied as concerns over a no-deal Brexit eased. Data to watch this week: Jobs Report tomorrow, Inflation and BoE Gov. Carney speaks on Wednesday.
- Oil prices edged lower ahead of OPEC meetings on Wednesday.
- Asian stocks rose to 9-month highs.
- U.S. stocks rallied on Friday on strong earnings from JPMorgan and an 11.5% jump in Walt Disney Co on news of its streaming services. The S&P 500 index has reached its highest level in six months, coming within sight of testing a record high marked in September last year.
- In the Gulf, Abu Dhabi Index jumped 2.4% on Sunday, hitting a 4 1/2-year high.

U.S.-China making progress

U.S. Treasury Secretary Steven Mnuchin said on Saturday a U.S.-China trade agreement would go "way beyond" previous efforts to open China's markets to U.S. companies and hoped that the two sides were "close to the final round" of negotiations. Mnuchin, speaking to reporters on the sidelines of the International Monetary Fund and World Bank spring meetings, said that he and U.S. Trade Representative Robert Lighthizer would hold two calls next week with Chinese Vice Premier Liu He. The officials also were discussing whether more in-person meetings were necessary to conclude an agreement. "I think we're hopeful that we're getting close to the final round of concluding issues," Mnuchin said.

| FX & COMMODITIES | LAST | 1D |
|-------------------|----------|---------|
| EUR/\$ | 1.1310 | 0.10% |
| GBP/\$ | 1.3091 | 0.13% |
| AUD /\$ | 0.7168 | -0.07% |
| \$/JPY | 111.94 | 0.07% |
| \$/CAD | 1.3338 | -0.11% |
| Gold \$ | 1287.72 | -0.21% |
| WTI \$ | 63.64 | -0.39% |
| BRENT \$ | 71.45 | -0.14% |
| AMERICA | | |
| DOW JONES | 26412.30 | 1.03% |
| S&P 500 | 2907.41 | 0.66% |
| NASDAQ | 7984.16 | 0.46% |
| EUROPE | | |
| STXE 600 | 387.53 | 0.16% |
| CAC 40 | 5502.70 | 0.31% |
| DAX | 11999.93 | 0.54% |
| ASIA PACIFIC | | |
| S&P/ASX 200 | 6251.40 | 0.00% |
| NIKKEI 225 | 22169.11 | 1.37% |
| CSI 300 (China) | 4014.55 | 0.65% |
| MENA | | |
| Saudi Arabia | 9055.34 | -0.36% |
| Dubai | 2793.75 | 0.22% |
| Qatar | 10235.76 | -0.23% |
| BONDS | | |
| U.S. 10-year | 2.5579 | -0.0001 |
| German Bund 10-yr | 0.0600 | 0.0001 |
| AU 10-year | 1.9520 | 0.0007 |

MARKETS TODAY

... U.S. tempering key demands: Reuters

US negotiators have tempered demands that China curb industrial subsidies as a condition for a trade deal after strong resistance from Beijing, according to two sources briefed on discussions, marking a retreat on a core US objective for the trade talks. The issue of industrial subsidies is thorny because they are intertwined with the Chinese government's industrial policy. Beijing grants subsidies and tax breaks to state-owned firms and to sectors seen as strategic for long-term development. Chinese President Xi has strengthened the state's role in parts of the economy.

Trump slamming the Fed again; Draghi concerned

Trump said on Sunday that actions by the US Fed have nicked US economic growth and stock market gains by perhaps 30%, and that it should begin pumping money into the economy as it did during the 2007-2009 recession. Trump's latest broadside against the central bank, delivered by Twitter and without citing any evidence, came as ECB head Mario Draghi and other international officials expressed concern on Saturday about the U.S. Fed's independence, warning that a loss of its autonomy could undermine the credibility of policy.

China exports rebounding

China's exports rebounded in March but imports shrank for a fourth straight month and at a sharper pace, painting a mixed picture of the economy as trade talks with the United States reach their endgame. But veteran China watchers had said export gains may be due more to seasonal factors than any sudden turnaround in lackluster global demand, as shipments were expected to jump after long holidays in February. March exports rose 14.2% from a year earlier, customs data showed on Friday, the strongest growth in five months.

| BEIRUT S.E. | LAST | 1D |
|-----------------|-------|--------|
| SOLIDERE—A | 5.65 | -5.83% |
| SOLIDERE—B | 5.69 | -2.23% |
| BANK OF BEIRUT | 18.80 | - |
| BANK AUDI SAL | 4.67 | - |
| BLOM BANK | 9.27 | - |
| BYBLOS BANK | 1.34 | -0.74% |
| BLC BANK SAL | 0.93 | - |
| BANQUE BEMO SAL | 1.55 | - |

FX & COMMODITIES

The Japanese yen hovered near its lowest level this year on Monday as more signs of stabilization in the Chinese economy and an upbeat start to the US earnings season prompted investors to abandon the safe-haven currency to seek higher returns elsewhere. The dollar stood at 111.94 yen, little changed on the day but near Friday's high of 112.10, which was near its year-to-date peak of 112.135 touched in early March. The safe-haven Swiss franc has also eased against the euro, which strengthened to 1.1340 franc, recovering its losses made late last month to hit a 3-week high on the franc. The common currency traded at \$1.1310, keeping intact its slow recovery from \$1.1183 touched on April 2. It rose to as high as \$1.1324 on Friday. Chinese data published on Friday showed exports rebounded sharply and new bank loans increased far more than expected in March. Although China's imports remained weak, the data on the whole cemented hopes that the Chinese economy is bottoming out after a soft patch as Beijing has curbed de-leveraging efforts and stepped up support for the economy in recent months.

MARKETS TODAY

FX & COMMODITIES

Australian dollar edged lower in a relatively quiet Asian session. It last stood at \$0.7168, having hit a 1-1/2-month high of \$0.7192. Australian bonds fell, following Treasuries, with benchmark 10-year yields climbing to the highest in four weeks. Key data points this week are RBA's April minutes due Tuesday, and March employment report on Thursday. RBA is committed to holding rates steady for now, but this won't stop market participants from pricing in at least one cut.

The British pound fetched \$1.3091, stuck in its recent trading range as fears of a no-deal Brexit have receded for now. The pound advanced as leveraged funds boosted their long positions for a fifth week.

New Zealand climbed after gaining 0.5% last week. Major local events this week include dairy auction Tuesday, 1Q CPI Wednesday. Headline inflation should be soft in line with the central bank's February forecast, driven by lower fuel prices and seasonal weakness in transport services and international airfares, Goldman Sachs says in note. While RBNZ will probably look through weaker fuel prices, the softer headline print will likely give RBNZ some room to maneuver. Given Governor Orr's dovish comments, a downside surprise in CPI would strengthen the case for a May rate cut, while a strong upside surprise would lessen this probability.

Oil prices nudged lower on Monday after international benchmark Brent hit a fresh five-month high in the previous session, with investors eyeing mixed signals on global supply. Brent crude oil futures have hit their highest since Nov. 12 on Friday at \$71.87. The OPEC and its allies meet in June to decide whether to continue withholding supply. OPEC, Russia and other producers, are reducing output by 1.2 million bpd from Jan. 1 for six months. OPEC's de facto leader, Saudi Arabia, is considered keen to keep cutting, but sources within the group said it could raise output from July if disruptions continue elsewhere. The head of Libya's National Oil Corp warned on Friday that renewed fighting could wipe out crude production in the country.

ECONOMIC CALENDAR

| CURRENCY - TIME (LT) | EVENT | FCAST | PRIOR |
|----------------------|-----------------------------------|--------|-------|
| USD—15:30 | US Empire State Manufacturing Idx | 8.1 | 3.7 |
| GBP—17:30 | BoC Business Outlook Survey | - | - |
| USD—23:00 | US TIC Long-term Purchases | -18.2B | -7.2B |

Tuesday: AU RBA Policy Meeting Minutes, UK Jobs Report, ZEW Economic Sentiment for Eurozone and Germany, Canada Manufacturing Sales, US Industrial Production MoM

Wednesday: NZ Inflation QoQ, Japan Trade Balance, China GDP, Fixed Asset Investment, Industrial Production, Retail Sales, and Unemployment Rate, Eurozone Current Account, UK CPI, PPI, and RPI, Eurozone Final CPI, OPEC Meetings, Canada Inflation, US Trade Balance, UK BoE Carney speaks, US Fed Beige Book

Thursday: AU Jobs Report, Swiss Trade Balance, Flash Services and Manufacturing PMI for major countries, Canada Retail Sales, US Retail Sales, US Initial Jobless Claims, US Building Permits

MARKETS TODAY

| CURRENCIES | LAST | 1D | YTD |
|----------------------|---------|--------|--------|
| DXY | 96.868 | -0.11% | 0.72% |
| EUR/\$ | 1.1310 | 0.10% | -1.37% |
| GBP/\$ | 1.3091 | 0.13% | 2.64% |
| AUD /\$ | 0.7168 | -0.07% | 1.69% |
| NZD/\$ | 0.6771 | 0.12% | 0.77% |
| \$/JPY | 111.94 | 0.07% | -2.01% |
| \$/CAD | 1.3338 | -0.11% | 2.24% |
| \$/CHF | 1.0015 | 0.09% | -1.94% |
| \$/SEK | 9.2625 | 0.08% | -4.42% |
| \$/NOK | 8.4943 | -0.08% | 1.73% |
| \$/DKK | 6.5994 | 0.09% | -1.33% |
| \$/TRY | 5.8083 | -0.46% | -8.93% |
| EUR/GBP | 0.8639 | 0.02% | 4.05% |
| EUR/JPY | 126.60 | -0.02% | -0.61% |
| EUR/CHF | 1.1327 | 0.00% | -0.63% |
| COMMODITIES | LAST | 1D | YTD |
| Gold Spot \$/Oz | 1287.72 | -0.21% | 0.41% |
| Silver Spot \$/Oz | 14.93 | -0.27% | -3.62% |
| Platinum Spot \$/Oz | 887.52 | -0.42% | 11.55% |
| Palladium Spot \$/Oz | 1371.37 | -0.22% | 8.69% |
| COPPER \$/lb | 293.95 | -0.22% | 11.47% |
| WTI \$/bbl | 63.64 | -0.39% | 40.15% |
| BRENT \$/bbl | 71.45 | -0.14% | 32.81% |

EQUITIES & BONDS

Asian shares neared 9-month highs on Monday after US Treasury Secretary Steven Mnuchin said he hoped US-China trade talks were approaching a final lap, while strong Chinese export and bank loan data boosted confidence in the global economy. The optimism on trade together with the US Fed pausing its rate tightening efforts and Britain lawmakers getting an extension on the country's exit from the EU helped lift the mood in equities markets. MSCI's broadest index of Asia-Pacific shares outside Japan climbed 0.4% to its highest since late July. Chinese shares were buoyant, with the blue-chip CSI300 index rising 0.6%. Hong Kong's Hang Seng added 0.3% while South Korea's KOSPI rose 0.5%. Japan's Nikkei also joined the party, gaining 1.4% to close at its highest since early December. On Saturday, Mnuchin said a US-China trade agreement would go "way beyond" previous efforts to open China's markets to US companies and hoped that the two sides were "close to the final round" of negotiations.

US stocks closed near record highs on Friday after the largest US bank, JPMorgan Chase & Co, soothed worries that the Q1 earnings season would dampen Wall Street's big rally back from last year's slump. The S&P 500 is now within a% of September's record closing high, and the S&P 500 Total Return Index, which includes reinvested dividends, in fact regained record levels, recovering ground lost after a punishing sell-off in the closing months of the year which brought the benchmark index within a rounding error of bear market territory. Since then, the three major indexes notched their best quarterly gains in nearly a decade in Q1, but have spent April in a holding pattern ahead of Q1

MARKETS TODAY

EQUITIES & BONDS

earnings season. JPMorgan, effectively jump-starting the quarterly earnings reporting season that will dominate investor sentiment in coming weeks, blew past analyst estimates, easing fears that slowing economic growth could weigh on its results. Its stock rose 4.7% and led a broad rally in bank stocks. However, of the 29 companies in the S&P 500 that have reported thus far, 79.3% have come in above analyst expectations. Walt Disney Co jumped 11.5% to an all-time high, providing the biggest boost to the Dow and the S&P 500 after pricing its upcoming streaming service. Streaming rival Netflix Inc slid 4.5%. The Nasdaq and the Dow are both about 1.5% below their previous record highs. For the week, both the S&P 500 and the Nasdaq showed their third straight gains, while the Dow posted a nominal weekly loss. Of the 11 major sectors in the S&P 500, all but healthcare ended the session in positive territory. Financials were the largest %age gainer, rising 1.9% on the back of JPMorgan Chase earnings. Healthcare stocks extended their slide, with UnitedHealth Group down 5.2%, Anthem Inc dropping 8.5% and Humana Inc off 2.8%. The S&P 500 Healthcare index slipped 1.0%. In the largest energy deal since 2016, Chevron Corp said it would buy Anadarko Petroleum Corp for \$33 billion in cash and stock. Chevron's stock dipped by 4.9% following the announcement, while Anadarko shot up 32.0%. Boeing Co rose 2.6% as the plane maker's stock recovered ground following its recent sell-off. The CBOE Volatility Index - Wall Street's so-called "fear gauge" slipped to a fresh six-month low on Friday, in a sign investors expect the good times to keep rolling.

Most Gulf stock markets were weak on Sunday. Abu Dhabi stocks closed up 2.4%, reaching a four-and-a-half year high as First Abu Dhabi Bank (FAB) surged after it obtained regulatory approval to increase its foreign ownership limit.

Foreigners will be allowed to own as much as 40% of FAB stock, up from a previous limit of 25%, lifting FAB shares by almost 5%. FAB shares closed at AED 15.58, their highest since May 2014. The index ended at 5,174 points, its highest since September 2014. Dubai shares were flat on weakness in Emaar Properties, which was down 1.2%.

COMPANY NEWS HEADLINES

- American Airlines Group Inc said on Sunday it is extending Boeing Co 737 MAX cancellations through Aug. 19, leading to about 115 daily canceled flights, or 1.5% of its daily summer flying schedule.
- Lyft Inc is removing several thousand electric bikes from service in its bike-share program in New York, Washington and San Francisco because of a braking problem, the ride-hailing company said on Sunday.
- Volkswagen plans to build a fully electric sports utility vehicle (SUV) for China from 2021, taking on the Chinese market leader Tesla's Model X as the German carmaker ramps up production of zero emissions vehicles.
- Publicis will pay \$4.4 billion to acquire Alliance Data's Epsilon marketing unit, the French advertising group said on Sunday, expanding its digital business and North American footprint.
- Drug developer Catalent Inc has agreed to buy privately held, gene-therapy focused Paragon Bioservices Inc for \$1.2 billion, the Wall Street Journal reported on Sunday, citing people familiar with the matter.
- Mexican Finance Minister Carlos Urzua said on Saturday he does not expect rating agencies to further downgrade the credit rating of state-owned energy company Pemex.
- The chairman of Taiwan's Foxconn, assembler of Apple's iPhones, said on Monday he plans to step down in the coming months as he wants to pave the way for younger talent to move up the ranks of the world's largest contract manufacturer.
- ADNOC said on Sunday that Abu Dhabi Retirement Pensions and Benefits Fund (ADRPBF) has signed a deal to invest in a pipeline infrastructure entity that ADNOC is setting up with BlackRock and KKR.
- Citigroup is refunding more than A\$3 million (\$2.2 million) to retail customers in Australia who suffered losses from complex investments sold by the bank without adequate advice, the country's corporate watchdog said on Monday.

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| AMERICA | LAST | 1D | YTD |
|-----------------|----------|---------|---------|
| DOW JONES | 26412.30 | 1.03% | 13.22% |
| S&P 500 | 2907.41 | 0.66% | 15.98% |
| NASDAQ | 7984.16 | 0.46% | 20.33% |
| S&P/TSX | 16480.53 | 0.49% | 15.06% |
| EUROPE | LAST | 1D | YTD |
| STXE 600 | 387.53 | 0.16% | 14.77% |
| FTSE 100 | 7437.06 | 0.26% | 10.54% |
| CAC 40 | 5502.70 | 0.31% | 16.32% |
| DAX | 11999.93 | 0.54% | 13.65% |
| ASIA PACIFIC | LAST | 1D | YTD |
| S&P/ASX 200 | 6251.40 | 0.00% | 10.71% |
| NIKKEI 225 | 22169.11 | 1.37% | 10.76% |
| TOPIX | 1627.93 | 1.40% | 8.96% |
| CSI 300 (China) | 4014.55 | 0.65% | 33.34% |
| MENA | LAST | 1D | YTD |
| Saudi Arabia | 9055.34 | -0.36% | 15.70% |
| Abu Dhabi | 5186.24 | 0.24% | 5.52% |
| Dubai | 2793.75 | 0.22% | 10.44% |
| Qatar | 10235.76 | -0.23% | -0.61% |
| 10-YEAR BONDS | LAST | 1D | YTD |
| U.S. | 2.5579 | -0.0072 | -0.1263 |
| Germany | 0.0600 | 0.0050 | -0.1820 |
| U.K. | 1.2120 | 0.0620 | -0.0650 |
| Australia | 1.9520 | 0.0690 | -0.3660 |

TOP SELECTED NEWS

Global finance chiefs prepared to 'act promptly' on growth

(Bloomberg) Global finance ministers and central bankers are prepared to "act promptly" to shore up growth in a world economy that faces downside risks including trade tensions, according to a statement issued Saturday. While growth is projected to firm up in 2020, "risks remain tilted to the downside," according to a communique by the International Monetary and Financial Committee, the main advisory panel of the IMF's 189 member countries. Risks include "trade tensions, policy uncertainty, geopolitical risks, and a sudden sharp tightening of financial conditions against a backdrop of limited policy space, historically high debt levels, and heightened financial vulnerabilities," the committee said. "To protect the expansion, we will continue to mitigate risks, enhance resilience, and, if necessary, act promptly to shore up growth for the benefit of all," officials said. The statement marks heightened concern compared with the IMFC's last meeting six months ago, when it said growth remained strong even amid an "uneven" recovery. The comments reflect a week in which the IMF cut its forecast for global growth to the lowest since the financial crisis and Managing Director Christine Lagarde warned policy makers to avoid "self-inflicted wounds" such as eye-for-an-eye tariffs.

TOP SELECTED NEWS

London finance job openings halve in two years on Brexit jitters

(Bloomberg) Job vacancies in London's finance industry have halved in two years as uncertainty over Brexit knocks business confidence, a survey by recruiter Morgan McKinley has found. The number of jobs available in the city's financial services industry and the number of finance professionals seeking new jobs have each fallen by more than half in the past two years, the recruiter said, although both measures rose slightly from Q4 of 2018 to Q1 of this year. "The inability of the government to reach consensus on a Brexit deal has crushed confidence among City employers," Hakan Enver, managing director at Morgan McKinley, said in a statement.

Barclays activist Bramson in fresh letter to investors over board seat

(Reuters) Activist Edward Bramson on Monday made a fresh plea for Barclays' investors to give him a seat on the bank's board, as the war of words between his fund and the lender's management ratchets up. Both camps have begun a back-and-forth courting of shareholders ahead of the bank's May 2 annual general meeting as Bramson attempts to muscle in to decision-making at the company and push through his proposal for a strategic overhaul of Barclays investment bank. After both issued statements last week laying out their case, New York-based Bramson again wrote to investors on Monday to say nothing Barclays had said had made him change his view about what needed to change at the bank.

VW to take on Tesla X in China from 2021 with electric SUV

(Reuters) Volkswagen plans to build a fully electric sports utility vehicle (SUV) for China from 2021, taking on the Chinese market leader Tesla's Model X as the German carmaker ramps up production of zero emissions vehicles. The planned new SUV is the latest move in Volkswagen's aggressive growth strategy in China, where electric cars are given preferential treatment by authorities. VW said its ID ROOMZZ, which it presented in Shanghai on Sunday, will have three rows of seats and an operating range of up to 450 kms. The concept car is capable of a "level 4 autonomous driving", VW said.

Publicis pays \$4.4 billion for Epsilon to extend digital reach

(Reuters) Publicis will pay \$4.4 billion to acquire Alliance Data's Epsilon marketing unit, the French advertising group said on Sunday, expanding its digital business and North American footprint. The deal, announced two weeks after Publicis confirmed it was in talks with Alliance Data, bolsters efforts by the world's third-ranked advertiser to adapt to a fast-changing market increasingly driven by online client data. "The addition of Epsilon will propel Publicis as a leader of data-driven personalized experiences at scale," the Paris-based company said in a statement outlining its biggest ever acquisition - which tops the 3.7 billion euros (\$4.18 billion) paid for tech consulting firm Sapient in 2014.

Johnson & Johnson wins U.S. FDA approval for bladder cancer drug

(Reuters) Johnson & Johnson's drug Balversa won U.S. approval as the first targeted therapy for advanced bladder cancer, the Food and Drug Administration announced on Friday. The list price of the drug, known chemically as erdafitinib, will range between \$10,080 to \$22,680 for a 28-day supply, depending of the dose, J&J said. Balversa is the first approved drug in a class known as FGFR inhibitors that targets growth factor receptors involved in cell growth and division. The drug is approved for use in patients whose cancer has progressed during or after chemotherapy and have specific genetic alterations known as FGFR3 or FGFR2. Patients will be selected for therapy with Balversa using an FDA-approved companion diagnostic device that will identify the genetic mutations, the agency said.

Saudi wealth fund in talks to raise up to \$8 billion bridge loan -sources

(Reuters) Saudi Arabia's Public Investment Fund (PIF) is in talks with banks to raise a short-term bridge loan for as much as \$8 billion to use for new investments, two sources said. The sovereign wealth fund finalised a deal last month to sell its 70% stake in Saudi Basic Industries (Sabic) to Saudi Aramco for \$69.1 billion. Proceeds from the Sabic deal, which Saudi Aramco has said is expected to close in 2020, could take a few months to come through to PIF, while a document seen by Reuters said the oil giant will pay for the deal in tranches.

MARKETS TODAY

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